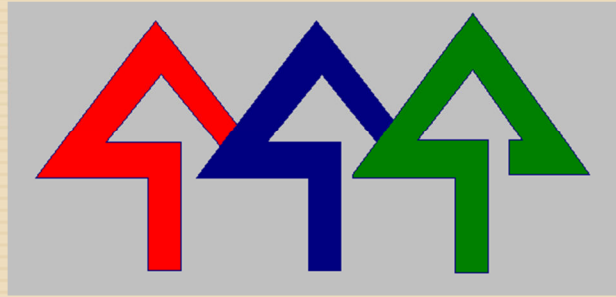


SNOHOMISH COUNTY ASSESSOR'S OFFICE



LEVY PRESENTATION

LEVIES



This presentation gives a general overview of the levy process.

LEVY DEFINITION

- Noun: The total dollar amount requested by a taxing district to be collected through property tax.
- Verb: To impose taxes, assessments or charges for support of governmental activities.

Power to Tax

- Washington State Constitution Article 7
- Revised Code of Washington (RCW) chapters 84.52 and 84.55

The Washington State Constitution Article 7 entitled “Revenue and Taxation” allows the power to tax which is implemented by Washington State Legislation through various statutes. The majority of these laws regarding property tax levies are described in RCW 84.52 and 84.55.

Simple Levy Process

- One Piece of Data from Each:
 - ▣ Taxpayers: The value of their parcels
 - ▣ Taxing Districts: Their budget (allowable amount)

Understanding the basics of the levy process is quite simple. We need to know the taxpayers taxable value (assessed value) and the taxing district's levy (budget) amount. Taxing districts submit levy documentation including ordinances to the County which will be discussed later.

Simple Levy Process

Calculate the Levy Rate:

- The taxing district's "levy" (budget) divided by the assessed value of all taxable parcels in the district equals the tax rate ("Levy Rate") for the district.

Simple Levy Process

$$\frac{\text{Levy}}{\text{Taxable Value}} \times \$1,000 = \text{Levy Rate}$$

$$\frac{\$50,000}{\$100,000,000} \times \$1,000 = \$0.50$$

Here is an example of calculating a levy rate. Levy rates are expressed in terms of dollar per \$1,000 of assessed value.

Simple Levy Process

Calculate the Property Tax Bill:

$$\begin{array}{r} \text{Individual Assessed Value}/\$1,000 \\ \times \text{Levy Rate} \\ \hline = \text{Property Tax Bill} \end{array}$$

To calculate the property tax bill you take the assessed value divided by \$1,000 times the levy rate.

Simple Levy Process

Example:

$$\begin{array}{r} \$300,000 \text{ (Assessed Value)} / \$1,000 \\ \times \$0.50 \text{ (Levy Rate)} \\ \hline \$150 \text{ Tax Bill} \end{array}$$

Example of tax bill calculation using the levy rate from the prior slide.

Affect of Assessed Value

- An increase in assessed value does not automatically mean an increase in the tax amount collected.
- If the assessed value increases at a faster rate than the levy amount, the levy rate will go down.
- If the assessed value decreases at a fast rate while the levy amount increases, the levy rate may go to the district's statutory amount.

As we previously discussed, the “levy rate” is calculated by dividing the district’s levy (budget) by all their taxable property value “assessed value” within the district. So, depending on whether the district’s budget and assessed value increases or decreases will determine the levy rate as well as how much the taxpayer pays.

Affect of Assessed Value

Example of assessed value verses budget amount:

1st year

District's 2010 budget = \$100,000

Taxing District taxable value = \$1,000,000,000

Levy rate = \$0.10

Taxpayer's assessed value = \$200,000

Taxes owed = \$20

Formulas:

Levy Rate = budget divided by taxable value within the district

Taxes owed = assessed value divided by \$1,000 times levy rate

Affect of Assessed Value

2nd year with assessed value increasing by 20% vs budget 1%

District's 2011 budget increased 1% = \$101,000

Taxing District's taxable value increased 20% =
\$1,200,000,000

Levy rate = \$0.0841667

Taxpayer's assessed value increased 20% = \$240,000

Taxes owed = \$20.20 or 1% increase

Formulas:

Levy Rate = budget divided by taxable value within the district

Taxes owed = assessed value divided by \$1,000 times levy rate

Result: Due to the taxable value increasing at a faster rate (20%) than the budget (1%) it resulted in a lower levy rate by only increasing taxes owed by 1% or \$0.20 from the previous year.

Affect of Assessed Value

3rd year with assessed value decreasing 18% vs budget increasing by 1% district goes to their statutory amount:

District's 2012 budget wants to increase 1% =
\$102,010

Taxing District's taxable value decreased 18%=
\$984,000,000

Levy rate = \$0.1036687

If the district's statutory dollar rate limit is \$0.10 then
their statutory amount is \$98,400

Taxpayer's assessed value decreased 18% =
\$196,800

Taxes owed = \$19.68 or 2.57% decrease

Formulas:

Levy Rate = budget divided by taxable value within the district

Taxes owed = assessed value divided by \$1,000 times levy rate

Statutory Amount = assessed value of district divided by \$1,000 times statutory dollar rate limit

Result: In this case, due to the taxable value decreasing at a fast rate of 18% from the previous year while the budget amount increase by 1% from the previous year it resulted in the district going to their statutory amount. The district's budget will now be limited to \$98,400 instead of their 1% increase \$102,010. The levy rate used is \$0.10 times the taxpayer's assessed value which decreased the taxes owed to \$19.68 or 2.57% decrease. There are various limitations for some levies and how much districts can collect which we will discuss shortly.

Types of Taxing Districts

- Regular
- Benefit Assessment
- Local Improvement

Most districts collect regular levies. Benefit Assessment and Local Improvement districts do not have regular levies and are handled by the Treasurer's Office in Snohomish County so they will not be covered in this presentation.

Regular Taxing District

A regular taxing district is one that is authorized by the **state legislature**, not local government.

- ▣ Senior Districts
- ▣ Junior Districts
 - ▣ Senior/Juniors

The districts included in the senior, junior and senior/junior categories are listed on the next three frames.

Regular Taxing Districts

- Senior Taxing Districts
 - ▣ State
 - ▣ County (General and Roads)
 - ▣ Cities & Towns

The state is further defined as being “for support of common schools”.

Regular Taxing Districts

- Junior Taxing Districts

- Fire
- Hospital
- Library
- EMS
- Park & Recreation
- Cemetery

The term 'junior taxing districts' includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts.

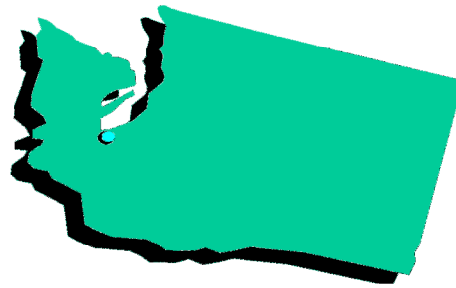
Regular Taxing Districts

- Senior/Junior Taxing Districts

- Fire
- Hospital
- Library
- Metropolitan Park

Taxing Districts & Tax Code Areas

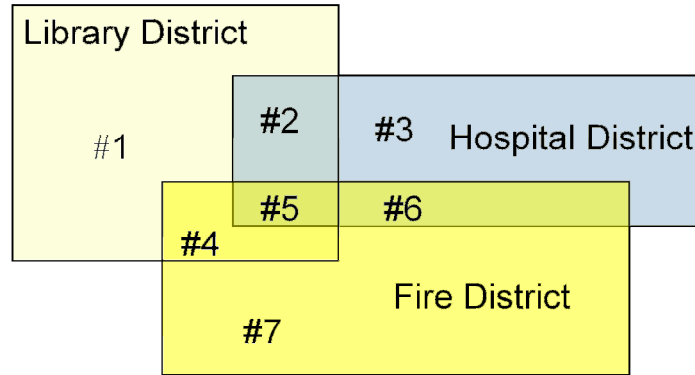
1,807 TAXING DISTRICTS



3,204 TAX CODE AREAS

Information from the State of Washington Department of Revenue for the 1/1/2010 assessment date for taxes payable in 2011. Snohomish County currently has 73 districts and 324 tax code areas.

Tax Code Area



Three taxing districts create 7 tax code areas.

The Assessor's office keeps track of parcels by tax code area numbers. Tax code area is a geographical area in which local entities such as county, city, library, hospital, school or fire district may assess taxes to sustain its operations. These combined taxing districts make up a Tax Code Area (TCA) which are used later to calculate a consolidated levy rate.

For example, taxpayers whose property are located within TCA #5 would have a consolidated levy rate and pay for the library, hospital and fire districts services, if levied.

Types of Levies

- Regular
- Excess
- Refund

The majority of levies are regular levies and most of them are non-voted regular levies. In Snohomish County, the only 'voted regular levies' we have are Emergency Medical Service (EMS) levies. Excess levies are all voted. All local school districts levies are 'excess' levies, which are mostly maintenance and operation levies and bond levies. Some school districts also have transportation or capital projects levies. Also, some other districts such as fire districts have bond levies for building and remodeling buildings, etc. A refund levy is used to recover administrative or adjudicated refunds.

Regular Levy

- A regular property tax levy is one that is authorized by law.
- In most cases, regular levies do not require voter approval.

Regular Levy Limitations

- Regular Levies are subject to various limitations:
 - ▣ Levy made by District
 - ▣ Statutory Dollar Rate Limit
 - ▣ Levy Limit (101%)
 - ▣ \$5.90 Aggregate Limit
 - ▣ 1% Constitutional Limit

Levy made by Districts

- October - Districts Public Hearings commence
- November 30th – Taxing districts shall certify to the county legislative authority, budgets or estimates of the amounts to be raised through property taxation, except cities over 300,000 who may bypass the Commissioners. (RCW 84.52.020)

A taxing district with regular levies must hold a public hearing pursuant to RCW 84.55.120. The taxing districts must certify their budgets or estimates of the amounts to be raised with the clerk of the county legislative authority on or before November 30th pursuant to RCW 84.52.020. If a district's budget has not been certified by this date, the district may lose its ability to increase its budget from the previous year (RCW 84.52.070). Along with a submittal of a "Certificate," taxing district's with regular levies must submit a "Resolution(s)/Ordinance(s)" if they want to increase the levy amount further which will be discussed in more detail in the Levy Limit (101%) slide.

Statutory Dollar Rate Limit

□ State	\$3.60 equalized
□ County General	\$1.80
□ County Road	\$2.25
□ Cities	\$3.375
□ Fire	\$1.00 - \$1.50
□ EMS	\$0.50
□ Library	\$0.50
□ Hospital	\$0.75

Statutory dollar rate limits are limitations upon regular property tax levies and for most types of taxing districts are specified in RCW 84.52.043 as well as other statutes. Cities may levy up to \$3.60 if they have annexed to a library or fire district less the actual levy rate for the library and/or fire district and also may levy an additional \$0.225 if they have an earmarked firemen's pension fund. Fire districts may levy up to \$1.50 if they have at least one full-time employee.

Levy Limit (101%)

- Taxing District may increase their levy limit each year by a specific percentage
- Each year's levy is based on the "highest amount that could have lawfully been levied since 1985"
- The district will also receive additional amounts for "add-ons" such as new construction, increase in state assessed property and annexations
- 1% Limitation to annual growth of the levy – Not Assessed Value Growth

The levy limit was introduced in the 1970s, restricting the growth of regular levies. As a result of the passage of Initiative 747 in 2001, allowable annual increases in levy amounts were reduced from 6 percent to 1 percent. Initiative 747 was found unconstitutional by King County Superior Court in June 2006. During the 2007 special legislative session, HB 2416 reinstated the 1 percent levy limit for taxing districts. The limitation is detailed in chapter 84.55 RCW.

Levy Limit (101%) & Actual Levy

- District is authorized previous year's levy amount plus any additional amounts for "add-ons" such as new construction, increase in state assessed property and annexations
- Resolution/Ordinance:
 - ▣ With passage of a resolution/ordinance, district may increase levy amount further
 - ▣ Must be passed by the majority of the Governing Board of the District
 - ▣ Must state \$ increase and % increase above previous year (exclusive of "add-ons")
 - ▣ Establishes the levy limit depending on the population of the District

If a district needs more tax dollars than the previous year for a regular levy they must pass a resolution/ordinance RCW 84.55.120.

Note: The highest lawful levy is the most a district can levy for a particular year and the actual levy is what a district does levy for that year. In order for one or both of these amounts to increase each year, the district must adopt a resolution or ordinance.

Levy Limit (101%)

- Limited growth in taxing district levies to 101% or the rate of inflation annually (based on size of district)
 - ▣ Population below 10,000:
 - With the passage of a resolution, the limit is set at 101%
 - ▣ Population at or above 10,000:
 - With the passage of a resolution, the limit is set at the highest lawful levy since 1985 and the lesser of 100% plus inflation as measured by the IPD (Implicit Price Deflator) or 101%

Population determines what documents are necessary for a district to increase their limit factor to 101%. If a population is at or above 10,000 they will be limited to the lesser of 100% plus inflation or 101%.

Levy Limit (101%)

- If the IPD is less than 1%:

Population at or above 10,000:

- ▣ A district may increase its levy (budget or bank capacity) by more than the rate of inflation by passing a 2nd resolution showing a substantial need to increase above the IPD to a maximum of 101%
- ▣ 2nd Resolution must state the reason why the district requires a limit factor greater than 100% plus inflation and what limit factor, not exceeding 101%, they want
- ▣ Requires a supermajority vote by the Governing Board

The limit factor authorization for taxing districts to use 101% or less pursuant to RCW 84.55.0101

The Department of Revenue provides the IPD rate based on the percent change in the implicit price deflator for personal consumption as published in the Bureau of Economic Analysis pursuant to RCW 84.55.005.

\$5.90 Aggregate Limit

RCW 84.52.043

The aggregate levies of junior taxing districts and senior taxing districts (except the state, port, county conservation futures, EMS and a few others) shall not exceed five dollars and ninety cents per thousand dollars of assessed valuation.

The \$5.90 limit applies to the total of certain local regular levies in each Tax Code Area.

Most taxing districts are authorized by state law to levy a certain rate each year without approval by the voters; these are commonly referred to as regular levies. All together, certain local regular levies cannot exceed \$5.90 and, with the state levy, these regular levies cannot exceed \$9.50 (\$5.90 and \$3.60) per \$1,000 of assessed value.

\$5.90 Aggregate Limit

Example Tax Code Area #5:

□ Library	\$0.47
□ Hospital	\$0.50
□ Fire District	<u>\$1.50</u>
	\$2.47

Using our previous example from the TCA slide, taxpayers whose property are located within TCA #5 would have a consolidated levy rate and pay for the library, hospital and fire districts services. Since the aggregate amount is \$2.47 less than \$5.90 the districts would not have to be prorated.

Snohomish County highest TCA for 2009 was \$3.9789446

Snohomish County highest TCA for 2010 was \$4.3010847

Snohomish County highest TCA for 2011 was \$4.6044417

1% Constitutional Limit

Washington State Constitution

Article VII, Section 2

RCW 84.52.050

“...the aggregate of all tax levies upon real and personal property by the state and all taxing districts now existing or hereafter created, shall not in any year exceed one percent of the true and fair value of such property in money ...”

In 1972, a constitutional limit of 1.0 percent was adopted by the voters. This limits the amount of property taxes that may be imposed on an individual parcel (real or personal) of property without voter approval to one percent of its true and fair value. This limit would equate to a regular levy rate of around \$10 per \$1,000 of assessed value. The one percent limit applies to all regular levies (except port and PUD district levies). It does not apply to special levies approved by voters.

Consolidated Tax Rates Aggregate

State School Levy	\$ 3.0000
County Current Expense	\$ 1.5727
County Road Fund	\$ 2.2103
Rural Library District	\$.5000
Fire protection District	\$ 1.4814
Metropolitan Park	\$.6500
Emergency Medical Service	\$.4500
Conservation Futures	<u>\$.0625</u>
Total Consolidated Regular Levy Rate	\$ 9.9269
Excess and Voter Approved Levy Rate	<u>\$ 3.1282</u>
Total Consolidated Levy Rate	\$ 13.0551

Since the consolidated regular levy rate does not exceed the one percent limit the districts would not have to be prorated.

1% Constitutional limit worksheet

Assessor Responsibilities

- Determine the value of all taxable property
- Set Levy Amount
- Set Levy Rate
- Ensure Levies do not exceed limits

It is the Assessor's responsibility to determine the value of all taxable property within Snohomish County. They set the levy amounts based on documents received from the districts and the limitations set within the law. Using those levy amounts and the taxable value for each levy they then calculate the levy rates. And then, they must check the \$5.90 aggregate limit and the one percent constitutional limit.

Levy Calculation

- There are two levy calculations done each year:
 - ▣ Highest Lawful Levy Calculation
 - Each year's levy limit is based on the Highest amount that could have lawfully been levied since 1985 times the limit factor plus add-ons.
 - If the taxing district increased their levy each year by the maximum allowed by law, the previous year would be their highest lawful levy.
 - ▣ Actual Levy Calculation
 - District previous year's actual levy times the increase as stated in their resolution/ordinance plus add-ons.

The limit factor for districts with a population less than 10,000 is 101%; districts that find a substantial need in accordance with RCW 84.55.0101, the lesser of the substantial need factor or 101%; or the lesser of IPD or 101%.

“Add-ons” are considered as new construction, improvements to property, newly constructed wind turbines, increases in state assessed property and annexations.

Levy Calculation

□ Banked Capacity:

- Is the difference between the highest lawful levy that could have been made and the actual levy that was imposed.
- Having banked capacity for one year does not guarantee the district will have the same amount or more the following years.
- Districts can protect levy capacity by passing the appropriate resolution(s)/ordinance(s)
- If a district wants to use banked capacity, their resolution/ordinance must authorize the increase
- Future levy capacities for district who levied less than their highest lawful levy are protected under RCW 84.55.092

If a district levies at their highest lawful levy, they will not have banked capacity. If a district levies less than their highest lawful levy, they will have banked capacity.

If a district chooses to use banked capacity they will need to complete one Resolution/Ordinance stating the dollar and percentage of increase (RCW 84.55.120) and passed by a majority of the board or council members. Note: this is for the Actual Levy which only needs one Resolution/Ordinance. If the district wants to increase the Highest Lawful Levy and the IPD is less than 1% then they will need to pass (with a supermajority) another Resolution/Ordinance per RCW 84.55.0101.

Levy Calculation

<u>Tax Year</u>	<u>Actual Levy</u>	<u>Highest Lawful Levy</u>
2009	\$150,000	\$150,000
2010	\$140,000	\$151,500
2011	\$149,000	\$153,015

$\$153,015 - \$149,000 = \$4,015$ "banked capacity"

If district increases budget by 1% and uses all banked capacity:

$\$153,015 \text{ (2011 HLL)} \times 101\% = \$154,545.15$

Previous Year's Levy = \$149,000

$\$154,545.15 - \$149,000 = \$5,545.15$

$\$5,545.15 / \$149,000 = 3.72\%$

Difference = \$5,545.15 which is 3.72% increase if the district chooses to levy that amount in 2012. This does not include revenue for "add-ons."

Here is an example of a taxing district for 2012 increasing their highest lawful levy by 1% and using all "banked capacity" before add-ons are applied.

Levy Calculation

- The Levy Limit is calculated as follows:
 - A. Determine the Highest Lawful Levy since 1985
 - B. Multiply the amount in step A by the limit factor as determined by the resolution(s) passed by the district
 - C. Add amounts for new construction:
 - ▣ The District is entitled to additional money to cover the cost of services to the new improvements in the district made during that year
 - ▣ The amount is determined by the value of new construction and improvements to property multiplied by the previous year's levy rate

Levy Calculation

D. Add amounts for increases in state-assessed property

- ▣ The District is also entitled to additional money attributable to the increase in value of state assessed property
- ▣ The amount is determined by multiplying the increase in value by the previous year's levy rate

E. Add amounts for annexations

- ▣ Annexation is the act of a taxing district expanding its boundaries.
- ▣ Annexations affect the levy limit calculation because the taxing district is entitled to collect more money as a result of encompassing a larger area.

State-Assessed property -the Department of Revenue annually values interstate or intercounty utility and transportation companies (railroads, telecommunication companies, electric companies, etc.)

Levy Calculation

E. Add amounts for annexations (continued):

- ▣ All taxing district boundaries must be established by August 1 in order to collect property tax in the following year except for newly incorporated port districts or regional fire protection service authority districts (October 1st) & mosquito districts (September 1st) pursuant to RCW 84.09.030
- ▣ In the first levy year following annexation, the levy limit is calculated as follows:
 - 1. Determine the levy limit and levy rate for the district as though no annexation occurred.
 - 2. Multiply the current year AV of the annexed territory by the levy rate calculated in step 1.
 - 3. Add the amount calculated in step 1 & 2 (lines E and G on the worksheet)

Levy Calculation

F. Add amounts for refund:

- ▣ The levy rate calculation is also affected by adjudicated and administrative refunds as well as the abated taxes due to destroyed property made by the taxing districts.
- ▣ Taxing districts are allowed to collect money for refund levies above the levy limit. However, the maximum statutory rate may not be exceeded.
- ▣ In years when there is a refund levy, the levy limit is calculated as follows:
 - 1. Determine the levy limit for the district as though there is no refund.
 - 2. Add the amount refunded or to be refunded pursuant to RCW 84.68 or 84.69 to the amount calculated in step 1. (Line H on the Actual Levy Calculation worksheet)

Refunds

□ For example:

- ▣ County's Regular Levy Statutory Rate: \$1.80
- ▣ Current County Regular levy: \$1.50
- ▣ Refund levy available: \$0.40
- ▣ $\$1.50 + \$0.40 = \$1.90$ (exceeds the maximum statutory rate)

Since this amount of \$1.90 is over the maximum statutory rate of \$1.80 the County would only be able to collect \$0.30 of the \$0.40 refund to be within the lawful limit.

$$\$1.50 + \$0.30 = \$1.80 \text{ (lawful limit)}$$

What's a Lid Lift

State School Levy Statutory Rate:	\$ 3.60
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Current State Levy Rate:	\$2.53
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Because of the 101% Budget Limit
with no assessed value limit

Excess Capacity:	\$ 1.07
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A LID LIFT, with a vote of the people, would allow the State to “lift” the 101% limit (Lid) of their budget amount to achieve a higher rate.
(RCW 84.55.050)

As the levy limitation is applied to a district's budget over the years, the rate a district is allowed to levy on taxpayers tends to drift downward from the maximum statutory levy rate. Occasionally, a district will need to raise the levy limitation in order to increase funds. A district may ask its voters to authorize it to levy an amount that exceeds the levy limitation or “lift the levy lid.”

Lid Lift

- Some rules governing lid lifts:
 - ▣ Limit the period for which the increase levy is made:
 - Single Year (1 year)
 - Multiple Year (up to 6 years)
 - ▣ Must be approved by the majority vote
 - ▣ Ballot must state proposed dollar rate (levy rate)
 - ▣ Cannot exceed the statutory dollar rate
 - ▣ The lid lift is temporary unless the ballot specifically states the resulting levy will be used for future levy limit calculations

More information regarding lid lifts can be found in RCW 84.55.050.

Lid lifts may be either permanent or temporary. Both will generate more money, but the impacts on future levy limit calculations differ.

Lid Lift

- Assessed value can effect the amount available to levy.
- Taxing District can chose to take less than the amount available via District Certification.
 - ▣ Difference becomes banked capacity.

The amount available to levy will be the voted lid lift rate multiplied by the taxing districts total taxable value. Depending on when the lid lift is voted on and approved, the total taxable value may not be available. Revaluation is typically completed by May 31st and new construction added by August 31st.

Excess Levies

- Levy of additional taxes over and above the regular/statutory rate.
- Excess levies are not subject to the aggregate limits.
- Most excess levies require a supermajority (60%) to be approved by voters.
- Local school district excess levies for M&O, transportation, construction or capital project levy require a simple majority to be approved by voters.

Taxpayers who qualify for the senior citizen and disabled persons exemption do not pay excess levies.

School District Excess Levies

- Maintenance & Operation Levy (RCW 84.52.053):
 - Duration is 2 to 4 years
 - HB 2893- allows school districts to request the voters for a lid lift of an additional 4% for years 2011 to 2017.
- Capital Improvements (RCW 84.52.053):
 - Duration is 2 to 6 years
 - Construction, Modernization, Remodeling of school Facilities
- Transportation (RCW 84.52.053):
 - Duration is 2 years
- Bonds (RCW 84.52.056):
 - Length of bond

These are some examples of school district excess levies.

Fire District Excess Levies

- Maintenance & Operation Levy (RCW 84.52.130):
 - Duration is 2 to 4 years
 - Need 60% voter-approval
- Capital Improvements (RCW 84.52.130) :
 - Duration is 2 to 6 years
 - Need 60% voter-approval
 - Construction, Modernization, Remodeling of Fire District Facilities
- Bonds (RCW 84.52.056) :
 - Duration length of bond
 - Need 60% voter-approval

These are some examples of fire district excess levies.

Resources

- Department of Revenue's Website - <http://dor.wa.gov>
- Department of Revenue's "Homeowner's Guide to Property Tax."
- Annual Report – Snohomish County Assessor's Office website - <http://assessor.snoco.org>
- Washington State Tax Structure Study
- Levy Classes – Snohomish County & DOR